

VILLAGE OF GRAND BEACH
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

October 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Grand Beach, Village of	County Berrien
Fiscal Year End 10/31/2006	Opinion Date 04/08/07	Date Audit Report Submitted to State 04/12/2007	

We affirm that:

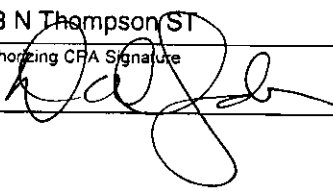
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) The Don Jackson Group PC		Telephone Number 269-469-9300	
Street Address 23 N Thompson ST		City New Buffalo	State MI
Authorizing CPA Signature 		Zip 49117	License Number 1616714
Printed Name Don D Jackson			

**Village of Grand Beach
Grand Beach, Michigan
October 31, 2006**

Village Council and Officials

James Bracewell	President
Walter Carroll	President Pro Tem
Deborah Lindley	Council Member
John Boden, Jr.	Council Member
Robert Grim	Council Member
Mary Robertson	Clerk
Marjorie Royce	Deputy Clerk/Treasurer

VILLAGE OF GRAND BEACH
GRAND BEACH, MICHIGAN
OCTOBER 31, 2006

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Village Council
Village of Grand Beach
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grand Beach (the "Village"), as of and for the year ended October 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Grand Beach's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Grand Beach as of October 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 28 are not a required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Grand Beach basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Don Jackson Group, P.C.

The Don Jackson Group, PC

April 8, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information the activities of the Village as a whole and present longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government wide financial statements.

Financial Highlights

The Village's combined net assets increased by 5.7% from a year ago – increasing from \$2,090,987 to \$2,213,552. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$11,771 during the year, while the business-type activities experienced an increase in net assets of \$110,794.

Overview of the Financial Statements

This report consists of four parts – *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Village government, reporting the Village's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates like businesses, such as the water system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Village acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basis financial statements. The following table summarizes the major features of the Village's financial statements, including the portion of the Village government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements, Concluded**Major Features of the Village of Grand Beach's Government-Wide and Fund Financial Statements**

		Fund Statements	
	Government-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire Village government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as general, building and capital projects and street funds.	Activities the Village operates similar to private businesses: The water fund.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenditures, and changes in fund balances. • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modifies accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The two government-wide statements report the Village's net assets and how they have changed. Net assets are the difference between the Village's assets and liabilities, which is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional nonfinancial factors such as changes in the Village's property tax base and condition of the Village's infrastructure.

The government-wide financial statements of the Village are divided into two categories:

- **Governmental activities** – Most of the Village's basic services are included here, such as general government, public safety, public works and recreation and culture.
- **Business-type activities** – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water system and Golf Course are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Village Council establishes other funds to control and manage money for a particular purpose (i.e. Building or Capital Projects) or to show that it is properly using certain taxes and grants (major and local streets).

The Village has the following two kinds of funds:

- **Government Funds** – Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Village as a Whole

The Village's combined net assets were \$2,213,552. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 888,444	\$ 441,896	\$ 1,330,340
Capital Assets	585,667	1,152,036	1,737,703
Total assets	\$ 1,474,111	\$ 1,593,932	\$ 3,068,043
Current Liabilities	\$ 24,085	\$ 19,406	\$ 43,491
Long-term Liabilities	-	811,000	811,000
Total Liabilities	\$ 24,085	\$ 830,406	\$ 854,491
Net Assets			
Invested in capital assets, net	\$ 585,667	\$ 341,036	\$ 926,703
Restricted assets for fixed assets	119,021	-	119,021
Restricted for Public Works	69,059	-	69,059
Restricted for Bond Retirement	-	91,117	91,117
Unrestricted assets	676,279	331,373	1,007,652
Total Net Assets	\$ 1,450,026	\$ 763,526	\$ 2,213,552

Unrestricted net assets – the part of net assets that can be used to finance day to day operations, decreased by \$2,499 for the governmental activities. This is the result of further investment in fixed assets. The current level of unrestricted net assets for the general fund activities stands at \$481,608, or about 71.2% of expenditures including transfers. This is an improvement of the previous year, but below the ideal level identified during the budget process. The Village collects 86% of the annual revenues during the final quarter of the year. For cash flow purposes, the Village should have a minimum of 86% of revenues in reserve.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for services	\$ 34,080	\$ 528,686	\$ 562,766
Operating Grants and Contributions	61,110	-	61,110
General Revenues			
Property Taxes	600,471	-	600,471
State Shared Revenues	16,096	-	16,096
Interest and Rentals	85,083	11,890	96,973
Transfers	(23,000)	23,000	-
Miscellaneous	11,445	-	11,445
Total Revenues	\$ 785,285	\$ 563,576	\$ 1,348,861
Program Expenses			
General Government	\$ 306,923	\$ -	\$ 306,923
Public Safety	244,023	-	244,023
Public Works	201,129	-	201,129
Recreation and Culture	21,439	-	21,439
Golf	-	216,031	216,031
Water	-	236,751	236,751
Total expenses	\$ 773,514	\$ 452,782	\$ 1,226,296
Change in Net Assets	\$ 11,771	\$ 110,794	\$ 122,565
Beginning Net Assets	1,438,255	652,732	2,090,987
Ending Net Assets	\$ 1,450,026	\$ 763,526	\$ 2,213,552

Governmental Activities

The Village's total governmental revenues net of transfers decreased by \$40,282. Property tax revenue increased by \$23,964 and interest income increased by \$9,965, while Building permits revenues decreased by \$63,360 reflecting a change in the rate schedule for building permits.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The Village's business-type activities consist of the Water Fund and the Golf Fund. We provide water, purchased from the Village of Michiana to the Village residents. Operating revenues for the water fund decreased by 10,072. Our gross profit margin improved to 34% and operating expenses were decreased by \$6,890. These changes with improved climate of interest rates enabled the Village to see only a 2% decrease in net income with lower revenues. The Golf fund revenues significantly improved its financial position. With an increase in cart fees, the Golf course was able to generate a net income of \$5,275 versus a loss of \$52,334 in the previous year.

The Village's Funds

Our analysis of the Village's major funds begins following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as state revenue funds for streets. The Village's major fund for 2006 included the General Fund.

The General Fund pays for most of the Village's governmental services, including legislative, police and other. The most significant is police, which incurred expenses of approximately \$211,428 in 2006. This represented 35% of the total expenditures. The service is supported by general revenue sources of the General Fund.

Capital Asset Administration

At the end of October 31, 2006, the Village had investment in capital assets for its governmental and business-type activities of \$1,737,703 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water lines. In addition, the Village has invested significantly in roads within the Village. The Village has chosen to not retroactively report any other infrastructure assets at October 31, 2004 and will only report any additions prospectively in accordance with G.A.S.B. #34. During 2006, the Village invested \$24,405 in a new police vehicle, \$43,962 in resurfacing the tennis courts and \$14,461 in building and office equipment.

Long-Term Debt

As the end of the current fiscal year, the Village had total debt outstanding of \$811,000. The debt was used to finance the water distribution system in the Village. The Village is in the process of upgrading the water system and anticipates incurring additional debt to finance the project.

Economic Factors and Next Year's Budgets and Rates

The Village anticipates revenues over expenditures in the governmental and business-type activity funds.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

VILLAGE OF GRAND BEACH

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
October 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 801,027	\$ 332,131	\$ 1,133,158
Certificates of Deposit	-	91,117	91,117
Receivables, Net	58,941	26,896	85,837
Inventory	1,644	-	1,644
Internal Balances	8,248	(8,248)	-
Due from Other Governments	10,937	-	10,937
Prepaid Expenses	7,647	-	7,647
Capital Assets, Net	585,667	1,152,036	1,737,703
Total Assets	\$ 1,474,111	\$ 1,593,932	\$ 3,068,043
Liabilities			
Accounts Payable	\$ 24,085	\$ 15,862	\$ 39,947
Accrued and Other Liabilities	-	3,544	3,544
Noncurrent Liabilities			
Due Within One Year	-	47,000	47,000
Due in More than One Year	-	764,000	764,000
Total Liabilities	\$ 24,085	\$ 830,406	\$ 854,491
Net Assets			
Invested in Capital Assets net of debt	\$ 585,667	\$ 341,036	\$ 926,703
Restricted for Capital expenditures	119,021	-	119,021
Restricted for Public Works	69,059	-	69,059
Restricted for Bond retirement	-	91,117	91,117
Unrestricted	676,279	331,373	1,007,652
Total Net Assets	\$ 1,450,026	\$ 763,526	\$ 2,213,552

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
October 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government						
<i>Government Activities</i>						
General Government	\$ 306,923	\$ 34,080	\$ 5,275	\$ (267,568)		\$ (267,568)
Public Safety	244,023	-	-	(244,023)		(244,023)
Public Works	201,129	-	55,835	(145,294)		(145,294)
Recreation and Culture	21,439	-	-	(21,439)		(21,439)
Total Governmental Activities	<u>\$ 773,514</u>	<u>\$ 34,080</u>	<u>\$ 61,110</u>	<u>\$ (678,324)</u>		<u>\$ (678,324)</u>
<i>Business-Type Activities</i>						
Golf Fund	\$ 216,031	\$ 219,761	\$ -		\$ 3,730	\$ 3,730
Water Fund	236,751	308,925	-		72,174	72,174
Total Business-Type Activities	<u>\$ 452,782</u>	<u>\$ 528,686</u>	<u>\$ -</u>		<u>\$ 75,904</u>	<u>\$ 75,904</u>
Total Government	<u>\$ 1,226,296</u>	<u>\$ 562,766</u>	<u>\$ 61,110</u>	<u>\$ (678,324)</u>	<u>\$ 75,904</u>	<u>\$ (602,420)</u>
General Revenues						
Property Taxes				\$ 600,471	\$ -	\$ 600,471
State Shared Revenues				16,096	-	16,096
Interest and Rentals				85,083	11,890	96,973
Transfers				(23,000)	23,000	-
Miscellaneous				11,445	-	11,445
Total General Revenues				<u>\$ 690,095</u>	<u>\$ 34,890</u>	<u>\$ 724,985</u>
Change in net assets				\$ 11,771	\$ 110,794	\$ 122,565
Net Assets- Beginning				1,438,255	652,732	2,090,987
Net Assets Ending				<u>\$ 1,450,026</u>	<u>\$ 763,526</u>	<u>\$ 2,213,552</u>

VILLAGE OF GRAND BEACH

GOVERNMENTAL FUND BALANCE SHEET

October 31, 2006

	General	Non-Major Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 414,730	\$ 267,233	\$ 681,963
Cash and cash equivalents, restricted	-	119,064	119,064
Receivables	1,491	-	1,491
Taxes receivable	57,450	-	57,450
Due from other funds	14,376	-	14,376
Due from other governments	2,632	8,305	10,937
Inventory, at cost	1,644	-	1,644
Prepaid expense	7,647	-	7,647
Total assets	<u>\$ 499,970</u>	<u>\$ 394,602</u>	<u>\$ 894,572</u>

LIABILITIES AND FUND BALANCES

Liabilities			
Accounts payable	\$ 17,687	\$ 6,398	\$ 24,085
Due to other funds	675	5,453	6,128
Accrued wages and taxes	-	-	-
Total liabilities	<u>\$ 18,362</u>	<u>\$ 11,851</u>	<u>\$ 30,213</u>
Fund balances:			
Reserved			
Reserved for inventory	1,644	-	1,644
Reserved for capital outlay	-	119,021	119,021
Reserved for prepaids	7,647	-	7,647
Reserved for street maintenance	-	69,059	69,059
Unreserved	<u>472,317</u>	<u>194,671</u>	<u>666,988</u>
Total fund balances	<u>481,608</u>	<u>382,751</u>	<u>864,359</u>
Total liabilities and fund balances	<u>\$ 499,970</u>	<u>\$ 394,602</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

* Capital assets used in governmental activities are not financial resources and are not reported in the funds

585,667

Net assets of Governmental Activities

\$ 1,450,026

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
October 31, 2006**

	General	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 600,471	\$ -	\$ 600,471
State-shared revenues	16,096	55,835	71,931
Interest and penalties	7,868	12,997	20,865
Costs and fines	557	-	557
Licenses and permits	-	32,205	32,205
Miscellaneous fees	1,800	-	1,800
Rents and royalties	40,625	-	40,625
Equipment rent	23,593	-	23,593
Donations	-	5,275	5,275
Miscellaneous revenues	10,962	-	10,962
Total revenues	<u>\$ 701,972</u>	<u>\$ 106,312</u>	<u>\$ 808,284</u>
Expenditures:			
Council	\$ 185,438	\$ -	\$ 185,438
Elections	-	-	-
Office	43,443	214	43,657
Hall and Grounds	16,097	-	16,097
Maintenance Garage	37,987	-	37,987
Building inspection	-	68,064	68,064
Police	211,428	-	211,428
Public Works	44,938	64,010	108,948
Sanitation	32,186	-	32,186
Parks and recreation	3,801	-	3,801
Beaches	8,535	-	8,535
Capital outlay	14,461	68,367	82,828
Total expenditures	<u>\$ 598,314</u>	<u>\$ 200,655</u>	<u>\$ 798,969</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 103,658</u>	<u>\$ (94,343)</u>	<u>9,315</u>
Other financing sources (uses):			
Operating transfers-in	\$ -	\$ 54,870	\$ 54,870
Operating transfers-out	(77,870)	-	(77,870)
Sale of fixed assets	-	-	-
Total other financing sources (uses)	<u>\$ (77,870)</u>	<u>\$ 54,870</u>	<u>\$ (23,000)</u>
Excess (deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	<u>\$ 25,788</u>	<u>\$ (39,473)</u>	<u>\$ (13,685)</u>
Fund balances, beginning of year	455,820	422,224	
Fund balances, end of year	<u>\$ 481,608</u>	<u>\$ 382,751</u>	

Amounts reported for governmental activities in the statement of activities are different because:

- * Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

25,456

Change in Net Assets of Governmental Activities

\$ 11,771

VILLAGE OF GRAND BEACH
PROPRIETARY FUND STATEMENT OF NET ASSETS
October 31, 2006

	Water Fund	Golf Fund	Total Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 369,267	\$ 53,981	\$ 423,248
Accounts receivables	26,896	-	26,896
Accrued interest receivable	-	-	-
Due from other funds	675	-	675
Due from State	-	-	-
Inventory, at cost	-	-	-
Prepaid expenses	-	-	-
Total current assets	\$ 396,838	\$ 53,981	\$ 450,819
Noncurrent assets:			
Capital assets	1,002,921	149,115	1,152,036
Total assets	\$ 1,399,759	\$ 203,096	\$ 1,602,855
LIABILITIES			
Current liabilities			
Accounts payable	\$ 7,123	\$ 8,739	\$ 15,862
Accrued interest payable	3,544	-	3,544
Due to other funds	4,572	4,351	8,923
Current portions of noncurrent liabilities	47,000	-	47,000
Total current liabilities	\$ 62,239	\$ 13,090	\$ 75,329
Noncurrent liabilities			
Bonds payable	764,000	-	\$ 764,000
Total liabilities	\$ 826,239	\$ 13,090	\$ 839,329
NET ASSETS			
Invested in capital assets - net of related debt	\$ 191,921	\$ 149,115	\$ 341,036
Restricted for capital improvements	-	-	-
Restricted for bond retirement	91,117	-	91,117
Unrestricted	290,482	40,891	331,373
Total net assets	\$ 573,520	\$ 190,006	\$ 763,526

VILLAGE OF GRAND BEACH
PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
October 31, 2006

	Water Fund	Golf Fund	Total Proprietary Funds
Operating Revenues:			
Charges for services	\$ 291,425	\$ -	\$ 291,425
Service connections	17,500	-	17,500
Golf and cart fees	-	192,431	192,431
Concession revenue	-	27,330	27,330
Total operating revenues	308,925	219,761	528,686
Cost of goods sold	100,093	15,182	115,275
Gross Operating Margin	\$ 208,832	\$ 204,579	\$ 413,411
Operating expenses			
Salaries and wages	\$ 26,104	\$ 99,118	\$ 125,222
Payroll taxes	1,732	2,518	4,250
Hospital	7,225	673	7,898
Retirement benefits	1,552	369	1,921
Workers' compensation	468	417	885
Supplies	1,653	6,071	7,724
Management fees	-	20,532	20,532
Professional services	3,645	800	4,445
Telephone	-	1,094	1,094
Insurance and bonds	1,809	9,041	10,850
Utilities	2,643	1,442	4,085
Depreciation	45,471	16,454	61,925
Seed and fertilizer	-	13,887	13,887
Repairs and maintenance	12,427	22,564	34,991
Equipment rentals	2,548	381	2,929
Building rentals	-	1,800	1,800
Miscellaneous expenses	782	3,688	4,470
Total operating expenses	\$ 108,059	\$ 200,849	\$ 308,908
Operating income	\$ 100,773	\$ 3,730	\$ 104,503
Nonoperating Revenues (Expenses)			
Interest expenses	\$ (28,599)	\$ -	\$ (28,599)
Interest income	10,345	1,545	11,890
Total Nonoperating Revenues(Expenses)	\$ (18,254)	\$ 1,545	\$ (16,709)
Income Before Contributions and Transfers In (Out)	\$ 82,519	\$ 5,275	\$ 87,794
Capital Contributions	-	-	-
Transfers In (Out)	-	23,000	23,000
Change in Net Assets	\$ 82,519	\$ 28,275	\$ 110,794
Net assets, beginning of year	491,001	161,731	652,732
Net assets, end of year	\$ 573,520	\$ 190,006	\$ 763,526

	Water Fund	Golf Fund	Total
Cash Flows From Operating Activities			
Receipts from Customers	\$ 310,649	\$ 219,761	\$ 530,410
Payments to Suppliers	(125,778)	(102,279)	(228,057)
Payments to Employees and benefits	(37,081)	(103,095)	(140,176)
Other Receipts (Payments)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 147,790</u>	<u>\$ 14,387</u>	<u>\$ 162,177</u>
Cash Flows From Noncapital Financing Activities			
Operating Subsidies and Transfers to Other Funds	<u>\$ -</u>	<u>\$ 23,000</u>	<u>\$ 23,000</u>
Cash Flows From Capital and Related Financing Activities			
Purchase of Capital Assets	\$ (1,097)	\$ (9,150)	\$ (10,247)
Principal paid on Capital Debt	(41,000)	-	(41,000)
Interest paid on Capital Debt	(28,809)	-	(28,809)
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>\$ (70,906)</u>	<u>\$ (9,150)</u>	<u>\$ (80,056)</u>
Cash Flow From Investing Activities			
Interest and Dividends	<u>\$ 10,345</u>	<u>\$ 1,545</u>	<u>\$ 11,890</u>
Net Increase in Cash and Cash Equivalents	\$ 76,884	\$ 29,782	\$ 117,011
Cash and Cash Equivalents-Beginning	<u>282,038</u>	<u>24,199</u>	<u>306,237</u>
Cash and Cash Equivalents-Ending	<u><u>\$ 358,922</u></u>	<u><u>\$ 53,981</u></u>	<u><u>\$ 423,248</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 100,773	\$ 3,730	\$ 104,503
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	45,471	16,454	61,925
Change in Assets and Liabilities			
Receivables, net	1,724	-	1,724
Accounts Payable	(258)	(3,971)	(4,229)
Due to other governmental funds	80	(1,826)	(1,746)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 147,790</u></u>	<u><u>\$ 14,387</u></u>	<u><u>\$ 162,177</u></u>

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Grand Beach (the "Village") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

A. Reporting Entity

The Village of Grand Beach is a chartered village located within the boundaries of New Buffalo Township. The Village operates under a Council-Administrator form of government and provides the following services: public safety (police), highways and streets, water utility, recreation, public improvement, planning and zoning and general administration services.

For financial statement purposes, the Village includes all funds and account groups that are controlled by or dependent on the Village, as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Village's obligation to fund any deficits.

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property Taxes – The Village's property taxes attach as an enforceable lien on July 1st, on the taxable valuation of property (as defined by State statutes) located in the Village and payable on September 15. The Village's 2006 ad valorem tax is levied and collectible on July 1st, 2006 and it is recognized as revenue in the current year when the process of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Village totaled 89.22 million, on which ad valorem taxes levied which consisted of 6.6926 mills for the Village's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable – current or as tax revenue.

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued.

The following major funds are used by the Village:

Governmental Funds:

General Fund – The General Fund accounts for all revenues and expenditures of the Village which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, licenses and permits, and fees and revenues from the State of Michigan.

Street Funds – The Street funds account for the revenues and expenditures of the Village related to the construction and maintenance of the Village Streets. Revenues are primarily derived from the State of Michigan revenue sharing funds.

Capital Projects – The Capital project fund accounts for the purchase of fixed assets. Funds are accumulated over multiple accounting periods. Funds are provided primarily through the transfers from the General Fund.

Building Inspector Fund – The Building Inspector Fund is used to account for the collection of inspections fees related to construction in the Village and the expenses associated with building and electrical inspections.

Proprietary Funds:

Water Fund – The Water Fund is used to account for the provision of water services to the residents of the Village. Activates of the fund include administration, operations and maintenance of the water system and billing and collection activates. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Golf Fund – The Golf Coarse fund is used to account for operations of the Village's golf course, including administration, operation and maintenance. All costs are financed through charges to the customers and through transfers from the General Fund.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded.

follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and building function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water fund also recognized the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity.

Bank Deposits and Investments -- Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.**D. Assets, Liabilities, and Net Assets or Equity, Continued.**

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on September 15, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has chosen not to retroactively report any other infrastructure assets at October 31, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Equipment	5 to 10 years

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

D. Assets, Liabilities, and Net Assets or Equity, Concluded.

Compensated Absences (Vacation and Sick Leave) – It is the policy of the Village to allow an employee to accumulate up to 30 sick days. There is no pay or compensation for unused sick days upon an employee's retirement, resignation or termination. Vacation days are earned as of the anniversary of the employee's full-time hire date and must be used within 24 months of that date. No compensation is given if the vacation time is not taken within that time period. The Village has recorded no accrual at October 31, 2006 for compensated absences and believes the amounts would be immaterial.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

BUDGETS AND BUDGETARY ACCOUNTING:

The Village performs the following procedures in establishing the budgetary data reflected in the general purpose financial statements:

1. Prior to the annual meeting the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing November 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
3. The budget is formally adopted by the regular Council meeting in June.
4. Transfers or amendments to the budget may only be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all the funds are adopted on a basis consistent with generally accepted accounting principles.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Village to have its budget in place by November 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended.

State law permits Villages to amend its budgets during the year. There were three amendments made during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds – During the year, the Village did not incur expenditures in budgeted funds which were in excess of the amounts appropriated.

Fund Deficits – The Village has no accumulated fund balance/retained earnings deficits in their reported funds.

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 3. DEPOSIT AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's. but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

At October 31, 2006, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 800,828	\$ 332,031	\$ 1,132,859
Certificates of deposits	-	91,117	91,117
Total	\$ 800,828	\$ 423,148	\$ 1,223,976

The bank balance of the primary government's deposits is \$1,223,976, of which \$344,401 is covered by federal depositary insurance.

Restricted Cash:

The Water Fund reports restricted assets for cash deposited in bank accounts in accordance the bond ordinances used to finance the Water Distribution System. As of October 31, 2006 the balance in restricted cash accounts was \$91,117.

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 4. RECEIVABLES

Receivables as of year end for the Village's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Business - Type Activities	Non-Major Funds	Total
Accounts receivable	\$ 61,573	\$ 31,896	\$ 8,305	\$ 101,774
Intergovernmental	14,736	675	-	15,411
Less: Allowance	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Net receivables	<u>\$ 76,309</u>	<u>\$ 27,571</u>	<u>\$ 8,305</u>	<u>\$ 112,185</u>

Note 5. CAPITAL ASSETS

Capital asset activity of the Village for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 169,788	\$ -	\$ -	\$ 169,788
Capital assets being depreciated				
Building and improvements	\$ 490,422	\$ -	\$ -	\$ 490,422
Equipment	557,724	82,828	(23,585)	616,967
Subtotal	\$ 1,048,146	\$ 82,828	\$ (23,585)	\$ 1,107,389
Less: Accumulated Depreciation	<u>(657,723)</u>	<u>(57,372)</u>	<u>23,585</u>	<u>(691,510)</u>
Net Capital Assets Being Depreciated	<u>\$ 390,423</u>	<u>\$ 25,456</u>	<u>\$ -</u>	<u>\$ 415,879</u>
Governmental activities capital total capital assets-net of depreciation	<u>\$ 560,211</u>	<u>\$ 25,456</u>	<u>\$ -</u>	<u>\$ 585,667</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Governments	\$57,372

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 5. CAPITAL ASSETS, CONCLUDED

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Land	\$ 28,340	\$ -	\$ -	\$ 28,340
Capital assets being depreciated				
Building and improvements	\$ 184,611	\$ -	\$ -	\$ 184,611
Infrastructure	1,506,562	4,150	-	1,510,712
Equipment	294,148	6,097	-	300,245
Subtotal	\$ 1,985,321	\$ 10,247	\$ -	\$ 1,995,568
Less: Accumulated Depreciation	(809,947)	(61,925)	-	(871,872)
Net Capital Assets Being Depreciated	\$ 1,175,374	\$ (51,678)	\$ -	\$ 1,123,696
Business-Type activities capital total capital assets-net of depreciation	\$ 1,203,714	\$ (51,678)	\$ -	\$ 1,152,036

Depreciation was charged to programs for the business-type activities as follows:

Water	\$45,471
Golf	\$16,454

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 6. LONG-TERM DEBT

Long-term debt consisted of the following at October 31, 2006:

Fund	November 1, 2005	Additions	Retirements	October 31, 2006	Within One Year
Water Fund:					
Revenue Bonds dated July 12, 1983, with annual principal payments increasing from \$1,000 to \$24,000, maturing in 2023, with semi-annual interest payments at a rate of 5%	\$ 312,000	\$ -	\$ (11,000)	\$ 301,000	\$ 12,000
Revenue Bonds dated September 20, 1999, with annual principal payments increasing from \$30,000 to \$45,000, maturing in 2019, with semi-annual interest payments at a rate of 2.5%.	540,000	-	(30,000)	510,000	35,000
	<u>\$ 852,000</u>	<u>\$ -</u>	<u>\$ (41,000)</u>	<u>\$ 811,000</u>	<u>\$ 47,000</u>

Current maturities of bonds payable for each of the next five years is as follows:

Year Ending	Revenue Bond		Revenue Bond		Total
	Principal	Interest	Principal	Interest	
2007	\$ 12,000	\$ 14,750	\$ 35,000	\$ 12,733	\$ 74,483
2008	12,000	14,150	35,000	11,858	73,008
2009	13,000	13,525	35,000	10,983	72,508
2010	14,000	12,850	35,000	10,108	71,958
2011	14,000	12,150	35,000	9,233	70,383
2012-2016	83,000	48,975	200,000	31,792	363,767
2017-2021	105,000	25,625	135,000	6,700	272,325
2022-2023	48,000	2,400	-	-	50,400
	<u>\$ 301,000</u>	<u>\$ 144,425</u>	<u>\$ 510,000</u>	<u>\$ 93,407</u>	<u>\$ 1,048,832</u>

The revenue bonds of the Water Fund are payable from operations of the Water Fund. The revenue bonds are collateralized by the revenue of the water system and assets of the water fund established by the bond ordinances.

NOTES TO THE FINANCIAL STATEMENTS
October 31, 2006

Note 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables

Fund	Interfund Receivables	Fund	Interfund Payable
General	\$ 14,376	Water	\$ 4,572
Local Street	-	Golf	4,351
Major Street	-	Building	2,917
Water	675	General fund	675
		Local Street	1,256
		Major Street	1,280
Total	<u>\$ 15,051</u>	Total	<u>\$ 15,051</u>

The general fund receivable represents expenses paid by the general fund for the various other funds and will be reimbursed in 2006.

The water fund receivable represents hydrant rental charged to the general fund and will be paid in 2006.

Interfund transfers

Fund	Transfer IN	Fund	Transfers Out
Capital projects	\$ 54,870	General	\$ 77,870
Local Street	-	Major Street	-
Golf	23,000		-
Total	<u>\$ 77,870</u>	Total	<u>\$ 77,870</u>

The General Fund transferred \$54,870 to the Capital Projects fund to fund the investments in long term assets.

The General Fund transferred \$23,000 to fund the operations of the Golf Fund.

Note 8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF GRAND BEACH
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
October 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 515,011	\$ 515,011	\$ 515,011	
Resources (Inflows)				
Property taxes	555,500	555,500	600,471	44,971
State-shared revenues	15,500	15,500	16,096	596
Interest and penalties	2,500	2,500	7,868	5,368
Costs and fines	400	400	557	157
Miscellaneous fees	900	900	1,800	900
Rents and royalties	31,300	41,300	40,625	(675)
Equipment rent	23,200	23,200	23,593	393
Miscellaneous revenues	4,050	4,050	10,962	6,912
Amounts Available for Appropriation	<u>\$ 1,148,361</u>	<u>\$1,158,361</u>	<u>\$1,216,983</u>	
Charges to Appropriations (Outflows)				
General Government				
Council	\$ 195,155	\$ 192,945	\$ 185,437	(7,508)
Elections	-	-	-	-
Office	47,100	47,750	43,443	(4,307)
Hall and grounds	26,620	17,929	16,097	(1,832)
Maintenance garage	26,620	40,075	37,987	(2,088)
Public Safety				
Police	193,140	212,090	211,428	(662)
Public Works				
Public Works	44,600	46,600	44,938	(1,662)
Sanitation	30,700	32,200	32,186	(14)
Recreation and Culture				
Parks and recreation	9,140	4,910	3,801	(1,109)
Beaches	10,485	8,985	8,535	(450)
Capital outlay	3,200	15,536	14,461	(1,075)
Transfers Out (In)	70,000	77,870	77,870	-
Total Charges to Appropriations	<u>\$ 656,760</u>	<u>\$ 696,890</u>	<u>\$ 676,183</u>	
Budgetary Fund Balance - End of year	<u>\$ 491,601</u>	<u>\$ 461,471</u>	<u>\$ 540,800</u>	

OTHER SUPPLEMENTAL INFORMATION

	Streets	Building Inspector Fund	Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 63,290	\$ 203,943	\$ -	\$ 267,233
Cash and cash equivalents, restricted	-	-	119,064	119,064
Receivables	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	8,305	-	-	8,305
Prepaid expense	-	-	-	-
Total assets	\$ 71,595	\$ 203,943	\$ 119,064	\$ 394,602
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 6,355	43	\$ 6,398
Due to other funds	2,536	2,917	-	5,453
Accrued wages and taxes	-	-	-	-
Total liabilities	\$ 2,536	\$ 9,272	\$ 43	\$ 11,851
Fund balances:				
Reserved				
Reserved for capital outlay	\$ -	\$ -	\$ 119,021	\$ 119,021
Reserved for prepaids	-	-	-	-
Reserved for street maintenance	69,059	-	-	69,059
Unreserved	-	194,671	-	194,671
Total fund balances	69,059	194,671	119,021	382,751
Total liabilities and fund balances	\$ 71,595	\$ 203,943	\$ 119,064	\$ 394,602

VILLAGE OF GRAND BEACH
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
October 31, 2006**

	Streets	Building Inspector Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State-shared revenues	\$ 55,835	\$ -	\$ -	\$ 55,835
Interest and penalties	2,295	7,572	3,130	12,997
Licenses and permits	-	32,205	-	32,205
Donations	-	-	5,275	5,275
Sale of fixed assets	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	\$ 58,130	\$ 39,777	\$ 8,405	\$ 106,312
Expenditures:				
Office	\$ -	\$ -	\$ 214	\$ 214
Building inspection	-	68,064	-	68,064
Public Works	62,599	-	1,411	64,010
Capital outlay	-	-	68,367	68,367
Total expenditures	\$ 62,599	\$ 68,064	\$ 69,992	\$ 200,655
Excess (deficiency) of Revenues over expenditures	\$ (4,469)	\$ (28,287)	\$ (61,587)	\$ (94,343)
Other financing sources (uses):				
Operating transfers-in	\$ -	\$ -	\$ 54,870	\$ 54,870
Operating transfers-out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ 54,870	\$ 54,870
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	\$ (4,469)	\$ (28,287)	\$ (6,717)	\$ (39,473)
Fund balances, beginning of year	73,528	222,958	125,738	422,224
Fund balances, end of year	\$ 69,059	\$ 194,671	\$ 119,021	\$ 382,751

October 31, 2006

	Major Street Fund	Local Street Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 20,295	\$ 42,995	\$ 63,290
Due from other funds	-	-	-
Due from other governments	4,504	3,801	8,305
Total assets	<u>\$ 24,799</u>	<u>\$ 46,796</u>	<u>\$ 71,595</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Current liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	1,256	1,280	2,536
Total liabilities	<u>\$ 1,256</u>	<u>\$ 1,280</u>	<u>\$ 2,536</u>
Fund equity:			
Reserved for street maintenance	23,543	45,516	69,059
Total liabilities and fund equity	<u>\$ 24,799</u>	<u>\$ 46,796</u>	<u>\$ 71,595</u>

VILLAGE OF GRAND BEACH
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
STREET FUNDS
October 31, 2006**

	Major Streets	Local Streets	Total
Revenues:			
State-shared revenues	\$ 31,775	\$ 24,060	\$ 55,835
Interest and penalties	710	1,585	2,295
Total revenues	<u>\$ 32,485</u>	<u>\$ 25,645</u>	<u>\$ 58,130</u>
Expenditures:			
Road maintenance:			
Wages	\$ 9,505	\$ 6,891	\$ 16,396
Fringe benefits	5,196	5,447	10,643
Supplies	765	746	1,511
Equipment rental	8,753	7,531	16,284
Routine maintenance	1,610	520	2,130
	<u>\$ 25,829</u>	<u>\$ 21,135</u>	<u>\$ 46,964</u>
Winter maintenance:			
Wages	\$ 1,524	\$ 1,356	\$ 2,880
Fringe benefits	1,007	908	1,915
Supplies	1,765	1,176	2,941
Equipment rental	2,428	2,333	4,761
	<u>\$ 6,724</u>	<u>\$ 5,773</u>	<u>\$ 12,497</u>
Road maintenance administration:			
Other administrative costs	<u>\$ 1,570</u>	<u>\$ 1,568</u>	<u>\$ 3,138</u>
Total Expenditures	<u>34,123</u>	<u>28,476</u>	<u>62,599</u>
Excess (deficiency) of revenues over expenditures	<u>(1,638)</u>	<u>(2,831)</u>	<u>(4,469)</u>
Other financing sources (uses):			
Operating transfers-in	\$ -	\$ -	\$ -
Operating transfers-out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,638)</u>	<u>\$ (2,831)</u>	<u>\$ (4,469)</u>
Fund balances, beginning of year	<u>25,181</u>	<u>48,347</u>	<u>73,528</u>
Fund balances, end of year	<u><u>\$ 23,543</u></u>	<u><u>\$ 45,516</u></u>	<u><u>\$ 69,059</u></u>



Honorable Members of the Council
Village of Grand Beach
Berrien County, Michigan

In planning and performing our audit of the general purpose financial statements of the Village of Grand Beach for the year ended October 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

Reportable conditions:

Accounts receivable

Segregation of duties

As is typical of government of this size, true segregation of duties is not practical. Great care should be followed in all internal control procedures to insure against fraud and misappropriations.

General Journal entries

A record of all journal entries should be maintained. The entries should be approved by the council on a regular basis.

Other comments and recommendations:

Comments:

- The books and records were found to be complete and available for audit.
- The staff provided full cooperation and assistance during the audit.
- Recommendations from the prior years audits have been implemented by the Village.



This report is intended solely for the information and use of the Village of Grand Beach Council, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties. However, a report issued in connection with an audit of a local government is a matter of public record.

The Don Jackson Group, P.C.

The Don Jackson Group, PC
April 8, 2007